

December 6, 1978

LETTER 745

Nov. 17, DJIA 797.73; PTI 876; A-D Ratio -22.65

Nov. 24, DJIA 810.12; PTI 888; A-D Ratio -21.30

Dec. 1, DJIA 811.42; PTI 886; A-D Ratio -21.15

THE PICTURE: I haven't made this kind of statement in a long time, but I'm going to make it now: this is the time for my average subscriber to be OUT of the markets and perhaps on a fishing trip or in San Francisco visiting your son or maybe in NYC looking at the latest exhibit at the Whitney Museum. Of late, we've had a primary bear signal and a mini-crash on the NYSE. Over the same period the AMEX and the OTC markets have been "creamed." Gold is down, the Swiss franc, the market and the yen have swooned, bonds are sluggish to down, the prime rate has jumped to 11½%, commodities are wobbly and—well, that should be enough.

Everything I read contains tales of someone's drastic losses during the fourth quarter of 1978. This fellow got wiped out in commodities, another was skewered in options, a third was "destroyed" on the AMEX. The November 22 issue of the *Wall Street Journal* (back page) recounts sad stories from the brokerage and bond houses—where losses and declining sales are bringing cries of anguish and warnings of belt-tightening ahead.

THE MARKET: The stock market was subject to a rare phenomenon during October-November, and that phenomenon is called panic. I identify a panic as a period when stocks are plunging with seemingly no support, an area of extraordinary selling pressure characterized by extreme fear among traders and a lack of orderly bids.

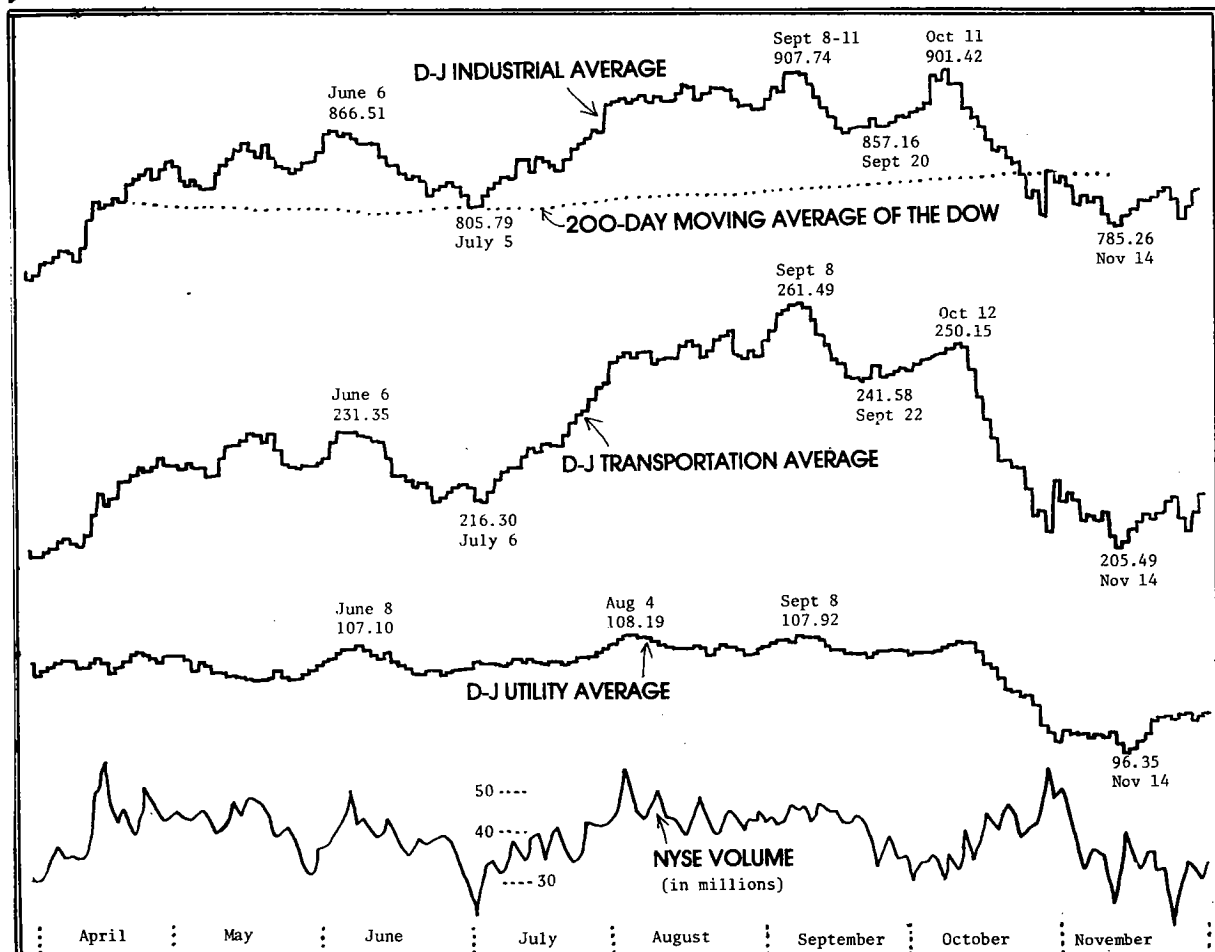
The market is made by the minds and actions of millions of people. As such, it is literally a *living organism*. And because it is a living organism it takes on a life and a character of *its own*. When a panic hits the market, then like an animal, the market suffers a deep wound. The aftermath of a panic is usually shock, quivering, a calming, and then an attempt to "get up again." This "getting up" takes the form of some kind of a rally in the market,

and a post-panic rally will tend to recoup 40% to 60% of the panic losses. Following the recovery, there is usually a second decline which takes prices down to or below the panic lows.

In the last Letter I included a weekly chart of the Dow, and I drew particular attention to the huge "head-and-shoulders" top which has formed since 1974. The right shoulder of this formation has taken the form of a potential smaller head-and-shoulders top. What was missing was a right shoulder on this smaller (1978) formation, and I further commented that the next rally would serve to put a right shoulder on the 1978 pattern.

Fine, but what do we do about it? I suggest that the majority of my subscribers (and the majority happen to be investors, not traders) look upon the whole situation as a continuing primary bear market. That means that we simply sit on the sidelines and collect a bit over 9% on our Treasury bills. Now there's nothing wrong with a calm and patient man collecting that kind of interest while he awaits developments. After all, it's not often that investors get paid a safe 9% for sitting on their hands.

Looking over some of the *longer term* technicals, they just aren't good. The 13-week moving average of the Dow turned down on October 19 from a peak of 878 and by last week it



was down to 845. The 50-week MA of the Dow hit its peak on October 19 at 824 and this longer term MA is also trending down. It is currently at 822. Thus, the two MA's are still in the bullish position (with the 13 over the 50), but the situation is deteriorating with both MA's now declining.

As discussed in the last Letter, the massive margin debt on the NYSE hit a record \$12.4 billion a few months ago. But last month it started to decline, dropping \$300 million in October. This is probably the *beginning* of a long-term run off in margin accounts, and I would not be surprised to see half or perhaps a good deal more of the current huge margin level disappear before this bear market is over.

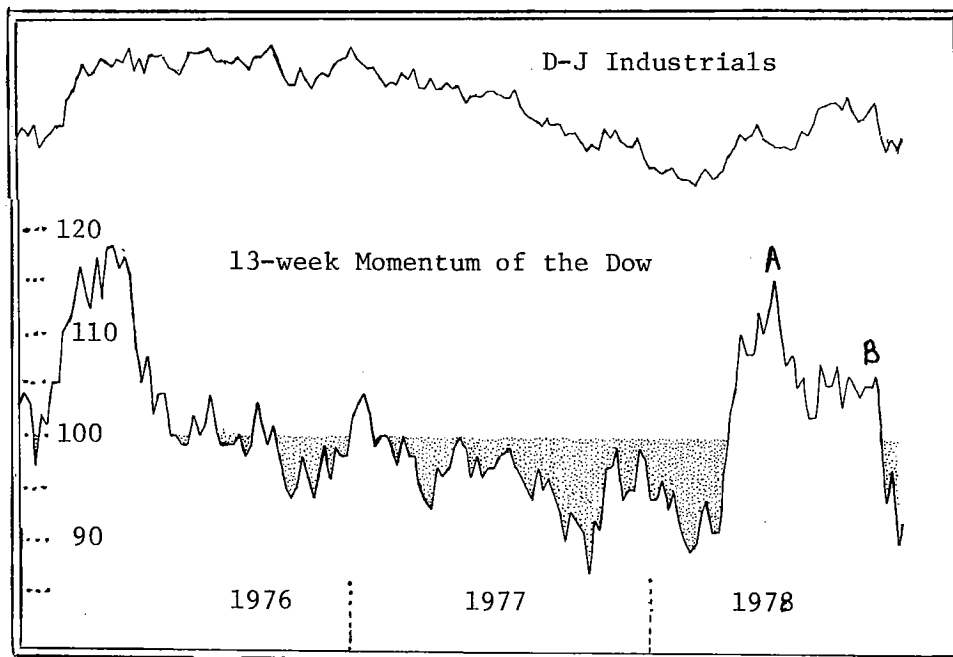
The momentum or rate of change is useful in identifying the major trend. As a rule, once the momentum ruptures its rising trendline, an advance is living on borrowed time. The usual sequence is (1) momentum and price record highs together, (2) a broad decline ensues, (3) price advances or even goes to a new high, but momentum lags badly, (4) price and momentum head down together.

This chart of the Dow and momentum should be studied. On June 9 Dow momentum recorded a peak of 115, and at that time the Dow was at 859 (A on the chart). A decline followed, and the Dow then rallied to a new high of 907. But momentum pushed up sluggishly, topping at a lower peak of only 107 (on August 25). This was the typical bearish price-momentum sequence. During October-November the Dow took a violent drop, and momentum sank as low as 88. With the Dow momentum currently at 90, it's not a very promising long-term picture for the market.

Near-term: In the last Letter I stated that although the market was oversold on an intermediate term basis, we were not at a major bear market bottom. I noted that the downside on the A-D ratio was terribly lopsided with only 2 (!) rallying days out of the last 21 trading sessions (the longest consecutive string of declines I had ever seen). For that reason, I said, I expected the market to go into a rallying phase. Furthermore, following the October-November panic-smash, it was logical to expect the market to attempt some sort of impressive rally. Finally, we were moving into the December period, and during *poor* final quarters it is normal to see some kind of December market recovery (although this does not always occur).

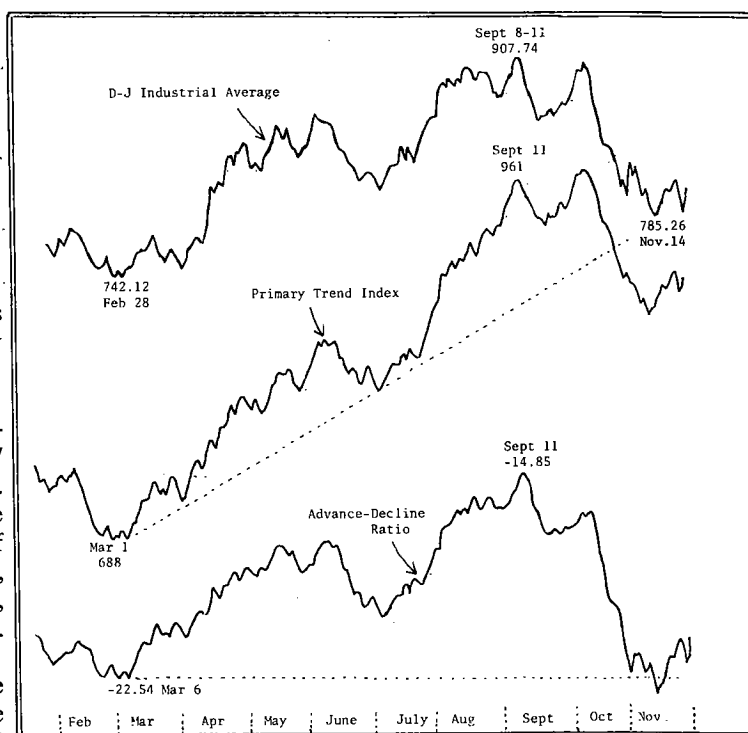
On November 14 Industrials recorded a low of 785.26, Transports a low of 205.49. The two Averages then rallied for 7 out of 8 sessions, dropped for two days, then pushed up again. The pattern (see page 1 chart of the Averages) has all the appearances of a bottoming formation. The test will come if Industrials can better 830 and Transports 220. If that occurs, we will have the "look" of a good bottom in the two Averages, and this could send the market into a spirited year-end rally.

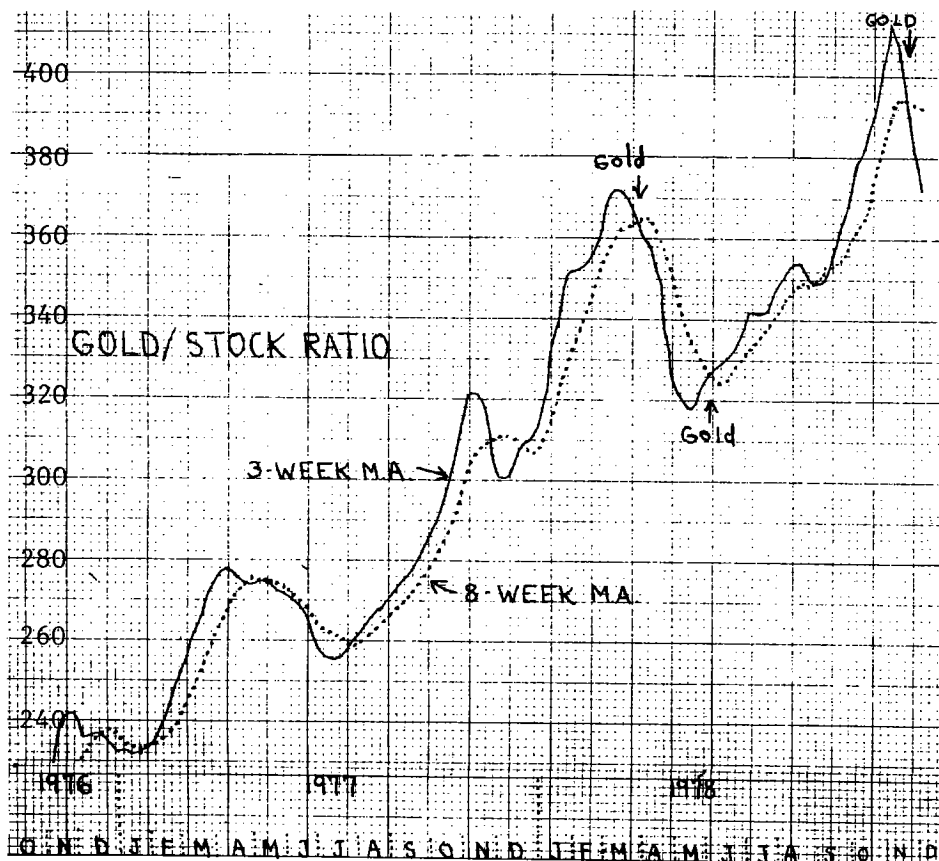
Turning to the daily chart of the Dow (bottom right) the Primary Trend Index (PTI) and the A-D ratio, I noted in the last Letter that although the A-D ratio had broken to a new 1978



low, the Dow did **not** confirm (the Dow held well above the February 28 low). This non-confirmation would ordinarily constitute enough of a technical plus to set off a good rally. Note also that the PTI (although it has broken its intermediate trendline) has not fallen below either its June or its March low. This double non-confirmation on the part of the PTI favors the bull side.

On December 1 the market surged and the A-D ratio registered a strong bullish signal by completing what appeared to be a little head-and-shoulder bottom (see chart). A few more rallying days and the PTI will do the same. Thus, the signals are calling for a December rally, and perhaps a strong one. But the big danger, as I outlined in the last Letter, is that a year-end rally will form a right shoulder on the large head-and-shoulders pattern that has formed during 1978 (see discussion in last Letter). In





other words, it would be wise not to turn bullish beyond say mid-January.

There is another indicator which I want to discuss at this time, and it is the **ratio of gold to the NYSE Composite Index**. This ratio (which I compute weekly) is a relative strength gauge. It tells us whether the trend of money is towards gold or towards common stocks. To avoid whipsaws, I run two moving averages (MA's) of the gold/stock ratio, a 3-week and an 8-week MA. You can see what has occurred on the accompanying chart.

Last week the 3-week MA dropped below the 8-week MA, thereby signalling a reversal of strength away from gold and towards common stocks. Now this does *not* mean that gold has to go down and stocks have to go up. But it does mean that if one is to be positioned in anything other than say Treasury bills, it should be **in stocks and not gold**. It is saying that if there is a broad decline down against the dollar, gold will go down faster than stocks. Or it could mean that gold will hold and stocks will go up. But I would rather look on the ratio's signal as a **preference signal**. It is telling us that for the foreseeable future (until the next signal), if we do anything we should do it in stocks **NOT** gold.

The gold/stock ratio is a most valuable tool, because it tells us where to focus our attention—where to look. The ratio does not provide us with actual buy and sell signals, since it is a relative strength device. But as far as I am concerned, I will not be interested in gold again until this ratio reverses itself and the 3-week MA climbs above the 8-week MA. At that time (if other indicators and considerations check out) it will be time to move back into the yellow metal.

One final thought: the 3-week MA of the ratio climbed above the 8-week MA in March 1978. This situation continued until Novem-

ber, 1978, a period of 8 months and the longest such relationship (in favor of gold) in years. Now that the ratios have reversed in favor of stocks, I would think that we should see this new relationship hold for a period of at least 3 to 6 months. I don't want to try to outguess the indicators, but that's the "gut feeling" I have at this time.

ECONOMICS: At this point, timing the exact beginnings of the next business recession doesn't fascinate me. If you read the Wall Street Journal you know that you can easily dig out one to five economic timing predictions in each issue. These predictions vary from "lowered growth in 1979" to a "mild recession" in 1979 to "a severe recession in '79" to even a gloomy "depression starting in 1979." Rather than dealing with exact timing, I believe it will prove more instructive to look at the big picture. The following thoughts come to mind.

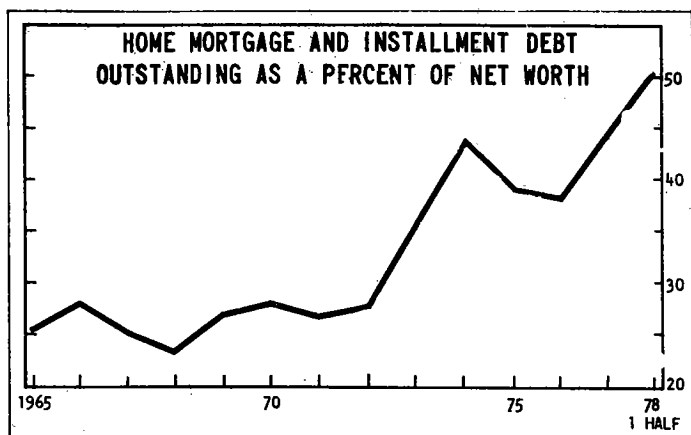
(1) I am convinced that the Administration and the Fed have taken a stand to defend the dollar. I don't care whether that stand has been prompted by real concern over the nation's currency or whether it has been prompted by pressure from foreign holders. But the fact is that the Administration has now told the world that it means to defend the dollar.

Furthermore, the Administration has now espoused high interest rates as a tool for defending the dollar. This decision has far-reaching implications. I, for one, don't doubt that if the dollar turns weak again we will see another notch up (or more) on the discount rate. Thus, any forthcoming dollar weakness will be offset by higher interest rates, and I believe higher rates will come very **quickly**. I further believe that the administration feels it is ready to accept some degree of recession in the event of a new slump in the dollar. (The danger here, of course, is that no one can predict how deep a recession or depression could materialize).

(2) The current economic expansion is reading record proportions in terms of longevity. Sooner or later, it will end. But the *longer* the Fed and the Administration play "footsie" with the money supply and the longer they encourage people to spend, the greater the growth of the overall debt structure. Not only will the debt structure be greater, but it will be built on an edifice of higher and higher interest rates. Thus, the longer the expansion, the more **FRAGILE** the debt structure (I should call it the debt bubble). When the US economy finally does go into a slump, many of the recent and very high-cost loans are going to be unsustainable. Therefore, I am telling readers to view each passing month of continued "prosperity" as an added plus for the bear. The longer the recession is held off, the steeper and more drastic will be the ultimate downturn.

Along these lines, the chart on page 4 should be of interest. It shows the astounding growth of mortgage and installment debt in terms of percentage of consumers' net worth. As you can see, the debt has hit 50% of consumers' net worth, a figure never seen in this nation before. As I stated in the last Letter, everybody is now positioned and ready for inflation and more inflation. It would be a hell of a note if inflation fizzled out.

(3) Ironically, the new 6-month "certificates" issued by the thrift institutions are now thwarting the Fed in its efforts to slow down the economy. By giving the thrifts the right to charge the going



rate on 6-month T-bills plus $\frac{1}{4}\%$, the Fed has provided the thrifts with new money to lend, regardless of the level of interest rates. This new wrinkle could result in the final peak in interest rates being fixed at a *much higher level* than is generally thought possible. In fact, hardly a day goes by when some "name" economist doesn't come out with an announcement that "we're about at the peak for interest rates." A few days later the prime rate goes up another notch and the economist quietly slinks away.

A number of observations regarding interest rates might be worthwhile at this time. First, a little over a month ago short term interest rates moved ABOVE long term rates, an abnormal situation which produced the so-called "inverted or negative yield curve." An inverted yield curve always precedes the peak in interest rates and the peak in business. Once the inverted yield curve appears, it (usually) takes about one to four months to reach its peak of inversion. Following the peak in the negative yield curve, both short and long term interest rates will rise to their peaks. In the last two economic recessions, the peaks in short and long term interest rates were not reached until economic recessions had actually started. All this suggests that we are NOT YET near the final highs in interest rates. Furthermore, good business news is an almost sure sign that the rise in interest rates has further to go.

I have been receiving a good many questions regarding long-term Government bonds. Readers are interested in these very high quality bonds because they would like to lock in the attractive interest rates. To my mind, the Treasury bonds are not through declining. I have included my daily chart of the bellwether Treasury 8's of 1996 for study. Note that I have drawn an initial

bearish channel identified by trendlines A and B. This down-channel began in July, 1977. It lasted for 13 months or until August, 1978. Then we had the rally of August-September.

A real market student ("marketophile") never rests for more than a few hours, and R. E. McMasters (the "restless redhead") is no exception. Last night McMasters (he writes "The Reaper") called me. R. E. was highly excited because he felt that the GNMA's had broken out on the upside, and of course this would be bullish for the bond market. Now I've been watching my money charts like a hawk, and I don't think we are quite there (on the bullish side) yet. I'm totally neutral on bonds now, but ready to go either way—with the market.

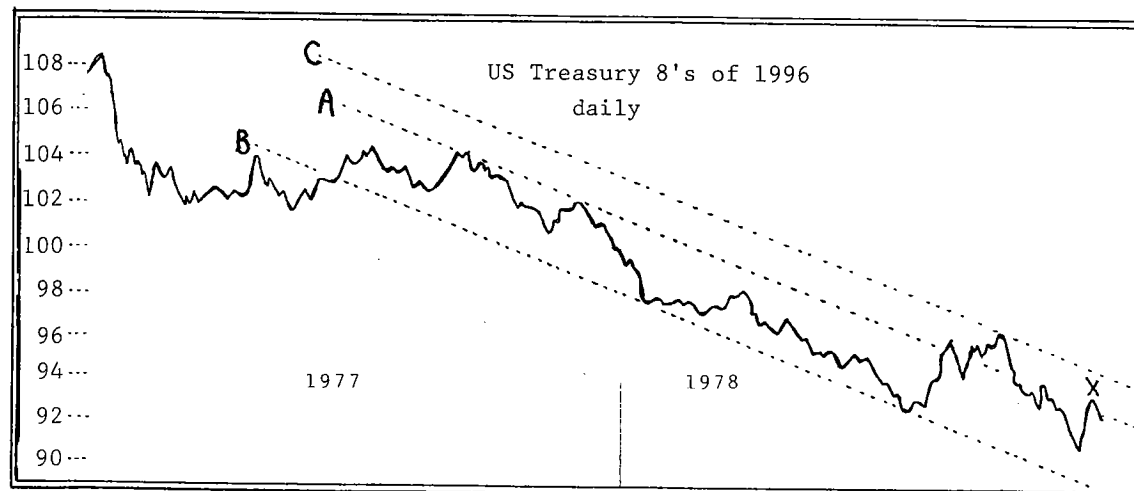
So I'll say this—if the Treasury 8's of 1996 (listed in the WSJ and most newspapers) move above their last peak (X on the chart) which is above 93½, buyers can take pilot positions. If the 8's then move above 94, you can double up. If the 8's then go above 96½, take your full bond position and hope we've seen at least an intermediate turn to the bull side in the bond market. But as of this writing, we have no bullish bond signal.

By the way, an alternative to the Treasuries are any of the better no-load open end bond funds such as *Northeast Investors Trust*, *Fidelity Corp.* Bond Fund (call 800-225-6190) or *Rowe Price New Income* (800-638-1527).

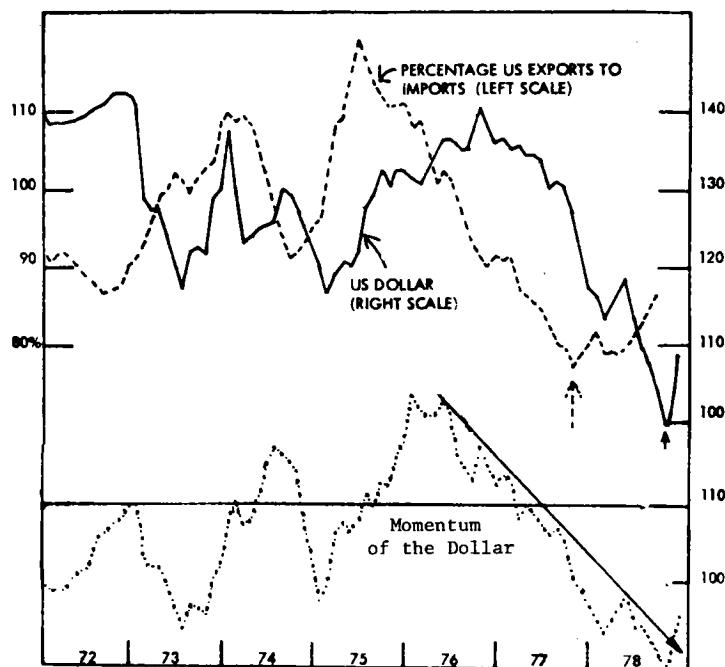
One last comment on bonds: my daily index of NYSE bond advances plus highs, minus declines plus lows, dropped to a new low for the year last week and while this may be a final low, this action bothers me.

DOLLAR: In the last two Letters I presented my thesis that the dollar had made an important turn to the upside. In fact, I went so far as to state that in my opinion we were going to see a period of a few months or perhaps quite a bit longer in which the dollar was "going to be KING." Subsequent events have not altered my view on the dollar. Mind you, I am not saying that we are in the midst of a great new bull market for the dollar, but I think at worst we will see a bear market rally in the dollar which is going to surprise the skeptics (and there is a huge majority of dollar skeptics) by its strength and rallying ability.

I was most interested to note that Tony Henfrey's *Gold Letter* (PO Box 1078, Pinetown 3600, South Africa) agrees with me. Tony does outstanding work in his analysis of gold, gold shares, currencies, and he included two charts in his November 10 report that I think tell an important story. I have combined Tony's two charts into one, and I am including that montage on page 5.



The heavy line is the US dollar measured against four currencies, the pound, the Swiss franc, the mark and the yen. The dashed line at the top of the chart is a five-month moving average of the percentage of US exports to imports. It is obvious upon studying the chart that the ratio of exports to imports has an important bearing on the strength or weakness of the dollar. The export-



import ratio does not pinpoint turns in the dollar, but the dollar does not go against the ratio for long. In October, 1977, the export-import ratio hit a low and it has been climbing ever since. Tony did not get a chance to plot the recent rally in the dollar, but my guess is that the dollar is now near 110 (scale at right side of the chart), which is where I placed it on the chart.

The dotted line at the bottom of the chart represents the dollar's momentum or rate of change against the pound, mark, franc and yen. The momentum of the dollar has been declining ever since mid-1976, a period of well over two years. Last October the dollar's momentum sank to a new low on the chart, and this is liable to be the low for a long time to come. I have filled in my estimate of where dollar momentum is now, and it is clear that a very important reversal has taken place. The dollar, in short, has reversed a two-and-one-half year decline in momentum.

All this suggests to me that we will see an extended and persistent rise in the dollar, a rise that could last perhaps six months or longer (obviously, I am only guessing on the duration). Furthermore, I would not be surprised to see the dollar gain back at least half of the losses it sustained since 1976 (if so, we could see the dollar climb back to the 120 area on this chart (scale right)).

Question: Russell, do you believe that the steps Carter has taken so far are strong enough to bring on this dollar rally?

Answer: No, I don't. But I would think that events are now set in motion which will make my "technical projections" come true. Two such events could be soaring interest rates—then deflation. If this occurs, I could see a complete reversal in all Keynesian beliefs and inflationary projections. I think that the American people are now totally fed up with inflation, and that means that inflationary political paths will no longer be acceptable. When the current inflation is "decelerated" or halted, the result will not be the much-touted "soft landing," it will be a collapse and an unravelling of the debt structure.

GROWING: The stock market has a tendency to burn up market analysts and investment advisors. I think of my friends

who were writing market reports when I first started Dow Theory Letters in 1958—and there are very few around today. Either they were wrong on the markets (and stayed wrong, which is always disastrous), or they used systems that just didn't work, or they found the pressure of the market too much for them and they retired—or the powers above took them to that great chart-reading room in the sky.

People ask, "Russell, what do you do to keep sane in this business?" Well, I have two secrets. One is that the markets are not work for me, they are play. So while other analysts may rush off to play golf or to fish for salmon, I blushing admit that markets are my business and my hobby. I love them, and if you love what you're doing, you tend to grow—rather than simply grow older.

My second secret is that I love to grow things. I have three daughters, aged 15, 20 and 22, and it's always a pleasure watching them grow. And now I have a 9-month old son, Ryan, and it's like starting all over again (and I'm really getting a tremendous kick out of this little crawling "terror"). And then there are my Cacti (yes, I said Cacti). Growing these plants has been a lifelong hobby for me. My fascination with Cacti started when I was 16, and I must admit that my interest in these xerophytes is just as intense today. I have over 1000 Cacti in our backyard "nursery," and this picture shows me surrounded by a hoard of the spiny little darlin's.

There's something very sane and relaxing for me about being around things that are growing. Sometimes, when the market has me in a state of deep puzzlement, I'll go out and fool with my Cacti, and I'll note a new branch here, a shower of flowers there. And it seems to have a "centering" effect on me. The world and the markets then seem to make sense. For nature is sane, and it's man's job to emulate what God has wrought and get sane himself. Anyway, markets and kids and Cacti seem to go together for Richard Russell. But if baseball or cards or astronomy does it for you—then you're a lucky man or woman.



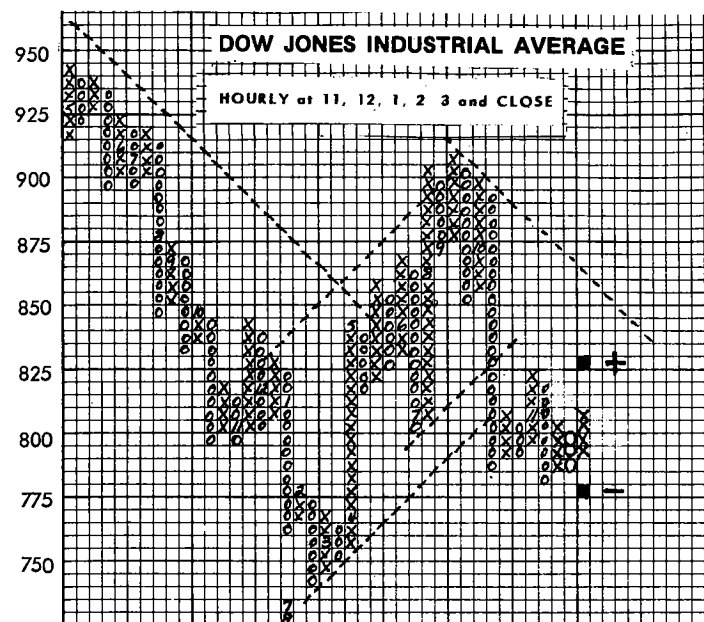
LATE MARKET NOTES: The markets are particularly difficult these days, difficult because (1) the trends are changing (reversing) very *rapidly*, and (2) because this makes the markets a place for traders, not investors. Of course, this doesn't mean that traders have had an easy time of it either, and I know enough good traders to be able to back up that statement.

One thing that worries me here is that if I suggest a trade, the trend may terminate before most of my subscribers decide to move. Thus subscribers will tend to buy near the top of a move and sell near the bottom.

Nevertheless, in this business one never knows when a minor move will turn into an intermediate move and when an intermediate move will develop into a whopper. With that in mind, I will say that traders may find this market a profitable place to be in between now and the end of the year or even into January.

The selling pressure is still evident in the market, but it is ebbing. For that reason we could get one more downside scare, but my guess is that it would represent a trading buy point. One place that provides evidence of declining selling pressure is the daily new low index. For instance, my 5-day moving average of the new lows (NYSE) runs like this: Oct. 31—236 new lows, Nov. 7—57 lows, Nov. 17—85 new lows, Nov. 30—only 41 new lows. This looks like basing action, and it tells us that fewer and fewer stocks were participating in the decline.

I am including a point & figure chart of the Dow (courtesy *Chartcraft*, Larchmont, NY), and I have filled in two solid black boxes on the chart. The higher box (marked plus) is at 830, and this point, if touched, would represent an upside breakout for the Dow. The lower box (minus) is at 780, and this would represent a downside breakout. Thus, the Dow is traveling within this 50 point range, and we should soon know the verdict of the market—830 or 780. I would guess that 830 will be touched first.



If 830 is reached, the Dow should move up to test its declining trendline at 865. If 865 is bettered, the Dow could try for the

high. On the other hand, a breakdown to 780 would almost surely set off a test of the 742 low of 1978.

WHAT TO DO: To my mind, the best way to participate in this rally as a trader is through calls. With a call you are only risking a small portion of money, your risk is limited to the amount of the call, and since those who want to buy here are speculating anyway, call options make sense to me (particularly low-priced "out-of-the-money" calls).

I think the following calls are interesting at this time: The Boeing February 80's, the Dow Chemical January 25's, the Exxon January 50's, the Kerr McGee January 45's, the Atlantic Richfield January 60's. If you buy them, I can't tell you exactly when to sell them, because things just move too fast on the call front. Sell 'em when the rally weakens or when you've had enough. Greed and options don't mix.

GOLD: Gold, gold, we'll leave you for last, but what can I say about you after all I've said in the last two Letters. The point & figure chart (page 7) may say it all for the time being, so let's examine it. This is my 1 X 3 chart of gold based on the first and second London fixes. Every rally or decline of three points or more is shown and each box is equal to one point.

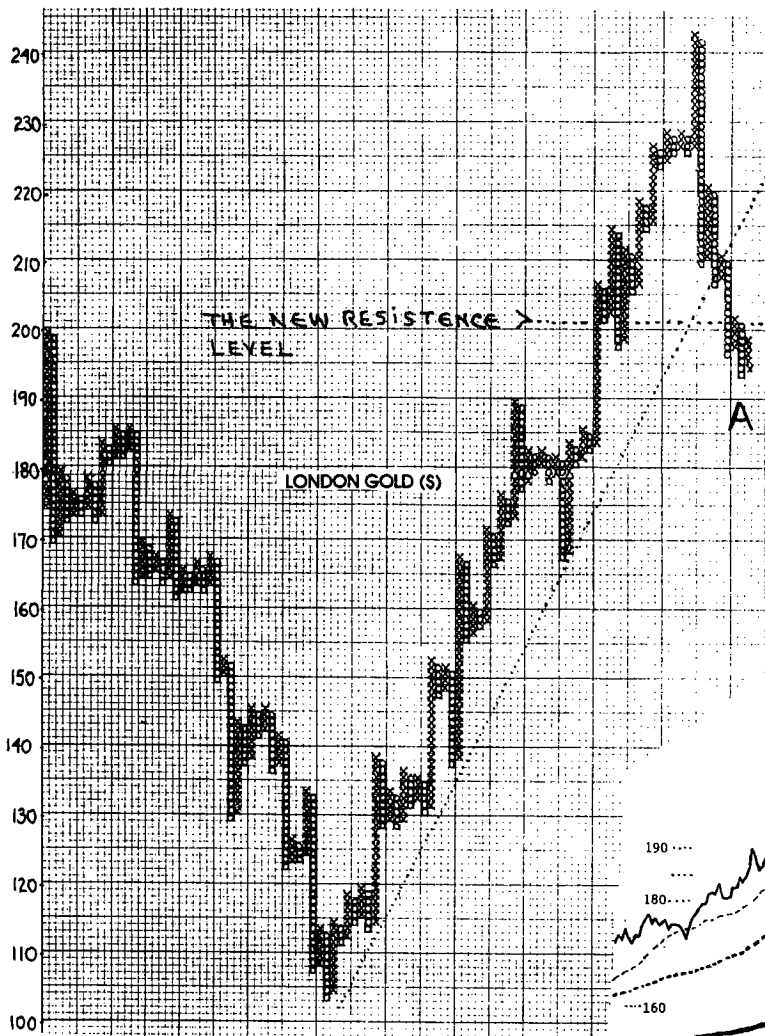
As I see it, gold is still on its initial leg down from the 243 high. There have been no impressive rallies yet, and the chart shows no base forming as yet. The "A leg" may or may not be complete but it has already shattered the rising trendline extending from the 1976 bottom. The chart gives the appearance of a *massive top*, with an attempt at a right shoulder that somehow did not come off. Ordinarily I would have expected a B or rising leg to start from about the 206 level, but that didn't happen.

Gold is overdue for a rally, but the problem is that no one has become bearish enough on gold; the players have just not left the table. The "open interests" on the Commex and the IMM are still (incredibly) near the highs, and this means that those with gold futures contracts must have put up the required margin money instead of selling out. At any rate, it is a bearish omen when the open interest *stays high* in the face of a persistent decline, and that is what has occurred.

Turning to the chart of gold and the three moving averages (page 7), the 4-week MA has now declined to 200, and the 13-week MA has slid to 213. The 50-week MA has leveled off at 190. I would expect resistance to any advance in gold to come in at about 205-210.

The chart of gold and the gold stock average (GSA) shows gold heading for the 185-190 support level, the level from which it broke out (upside) during July. The GSA has collapsed, and is now down to its previous low for the year recorded last April. Bullion has obviously held up better than the gold shares, but so far the downside non-confirmations by bullion have failed to halt the decline. This kind of action is always indicative of a weak market, and it just seems that there are still too many optimistic gold-holders around.

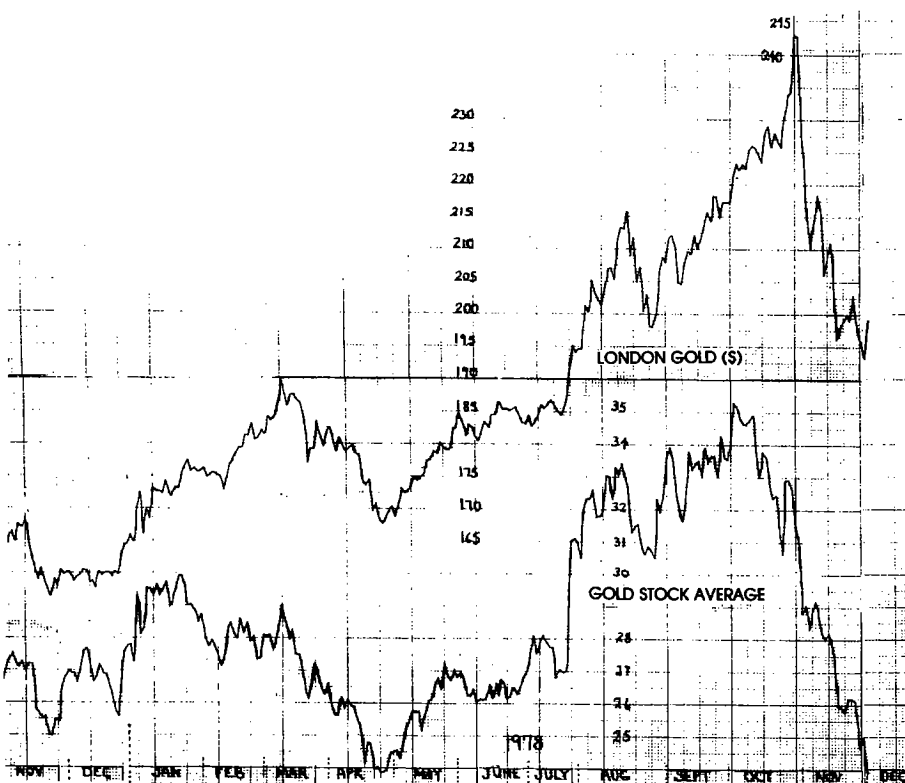
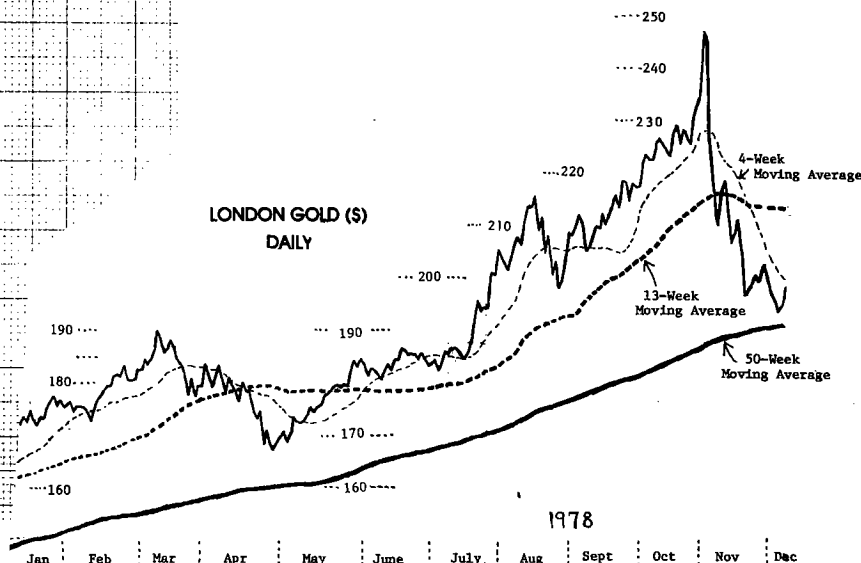
As far as my subscribers are concerned, we should be light or out of gold, and waiting patiently (and it could be a good wait) for the next entrance point. From our own selfish standpoint, the longer and more discouraging this correction in gold, the bigger and more profitable the final phase of the gold bull market. But in order to have the third (final) phase of the gold



bull market, the yellow metal is going to have to move from the hands of today's optimists to the more cynical hands of next year's gold bulls. In other words, gold is going to have to move into the strongest, and most powerful hands in the period ahead. Only when that happens will the gold bull be ready to lift his head and slowly rise to his feet again.

Question: Russell, you were so hot on gold a few months ago. Gold was "real money," you said. Gold would "save the system," you said. How can you just "turn off" on gold?

Answer: I haven't turned off on gold, I've turned off on gold at this time. The market isn't like your wife or your daughter who you love through thick and thin. We're dealing here with correct procedure and purchasing power. The fact that I advocate gold-backed currency has nothing to do with the fact that I think gold is in a bear trend over the coming months. In this business,



you had better learn that the trend makes you the money, not the item. I'd rather buy Cesspools, Inc. if that stock was going up than IBM if IBM is heading down.

I can't stress enough that you must be utterly ruthless about your investments, and that you should fall in love with your wife or husband or children, but never your investments. Some of the most tragic losses I've seen were in the accounts of people who have held stocks for sentimental reasons or in the accounts of widows who have held fixed portfolios "because John left them to me." I sometimes think it would be better if we would all simply number our investments instead of referring to them by name.

Yes, I'm a gold nut, and I honestly don't think we'll have an honest or lasting monetary system until gold is a part of it. But that has nothing, nothing to do with my timing on gold or my willingness to buy or sell gold.

SUNDRY ITEMS: Jimmy Carter has finally latched onto what's happening, and what do you know—he sees that a stand against inflation is good politics. It took him a long time to come to this conclusion, but I thought this clip from last week's Wall Street Journal was interesting enough to include here. As I've said before, unemployment is now only 5.8%, and nobody's feeling any pain. The test will come when unemployment starts rising. Any weakness on the Administration's or the Fed's part on the anti-inflation front will bring on weakness in the dollar.

Carter Ties His Future To Control of Inflation

By a WALL STREET JOURNAL Staff Reporter
WASHINGTON — President Carter made it clear he believes his political future hinges on his administration's ability to control inflation.

"Politically, it's a crucial question," Mr. Carter said of his anti-inflation efforts to a group of Democratic Party officials meeting at the White House.

"If we fail to deal with our well-recognized economic problems, there will be an inevitable and justifiable adverse reaction among the American people who look to us for leadership and for proper service," he asserted. "We can't continue to inflict the American people with rapidly increasing inflation and expect them to have confidence in us in the future."

The President, who hasn't said whether he intends to run for reelection in 1980, told the Democrats a successful campaign against inflation would represent "a great test of our worth as public servants." And, he concluded, "I don't intend to fail."

Within the next few months I feel that there will be a real testing or call it a speculative attack on the dollar, and at that time we will see how the Government reacts. If they act strongly, the dollar will hold. If not—trouble. Interest rates are still in a high area, but the money supply will have to be brought down if the dollar is to hold strong. So far, the Fed has been unbelievably reluctant to hold back the ever-rising money supply.

About a year ago my friend Mike Kaller called to tell me (with justifiable elation) that he had just purchased the "Princeton Block" of the famous "inverted Jennie." This was a block of four stamps of a post office printing error in which the airplane was printed upside down. Mike told me he paid \$220,000 for the

block. I gulped and said "Well Mike, just put it in a nice, safe place." Last week this news item appeared. A single inverted Jennie stamp had sold for \$100,000, which makes Mike's block of four worth nearer half a million, by my reckoning. It also makes Mike's block the most valuable item, weight for weight, on the face of the earth!

* *

Money magazine sent out a questionnaire regarding 35 commonly used services. They wanted to know what their readers thought about them in terms of rank (how good or how bad they were). The top (best) five in order of excellence were (1) dentists, (2) barbers, (3) airlines, but reservations only, (4) banks, and (5) garbage collection. The bottom (worst) five were (31) city transit, (32) intercity buses, (33) US Postal Service, (34) auto service, and (35) the worst was railroads. Note that of the worst five, three out of those five were government run, and if you want to include the rails as government then it's four out of five of the worst for Uncle Sam.

Airmail invert sets new high

A copy of the famous 24c airmail 'invert' (Scott's #C3a) realized a record price of \$100,000 at a Sotheby



Parke Bernet auction on Nov. 20, according to an AP report.

The stamp was purchased by an unidentified Boston stamp dealer.

The previous record price paid for a copy of the error was \$72,000.

NEXT MAILING: December 20th

If you don't think this one is funny, then you're not from California.



Last Minute Note:
Referring to the Page 1 chart, the Dow has turned weak early in the week, but remember, that real (as opposed to deceptive) weakness would entail both Averages' breaking to new lows, Industrials below 785.26 and Transports below 205.49. A penetration of one Average with the other persistently refusing to confirm would suggest a good move to the upside.